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VALUE OF FOREIGN TRADE

TABLE 39

VALUE OF IMPORTS AND EXPORTS

(In Thousands of Litas)

YEAR	EXPORTS	IMPORTS	DIFFERENCE
1923	146,795	156,627	— 9,832
1924	266,584	206,534	+60,040
1925	242,715	252,703	— 9,988
1926	253,300	240,761	+12,539
1927	245,929	265,694	—19,765
1928	256,881	291,091	—34,210
1929	329,842	306,422	+23,420
1930	333,739	312,415	+21,324
1931	273,119	277,959	— 4,840
1932	189,126	166,954	+22,172
1933	160,227	142,176	+18,051
1934	147,245	138,690	+ 8,555
1935	152,269	128,579	+23,689
1936	190,485	156,061	+34,424
1937	208,325	212,667	— 4,342
1938	233,198	223,686	+ 9,512
1939	203,194	169,362	+39,832

If the value of imports and exports, commencing with 1932, is translated into dollar currency, a very different index number is obtained. For example, the exchange rate of the litas in January, 1932, was 10.02 litas for $1.00; in January, 1934, 6.42 litas for $1.00; and in 1935, 5.99 litas for $1.00.[1]

It is interesting to note that in 1924 Lithuania had a very favorable trade balance, with exports exceeding imports by over 60 million litas. Three years later the position was ex-

[1] See Apendix F, Foreign Exchange Quotations in Kaunas.

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actly opposite. Starting with 1927 the trade balance for two successive years was unfavorable. In 1927 imports exceeded exports by 19,764,700 litas and in 1928 by 34,210,100 litas. One of the chief causes for this condition may be found in the fact that in 1924 the prices for agricultural products were high, while in 1927 and 1928 they were substantially lower. As Table 39 shows, the trade balance of Lithuania is generally favorable.

SHIFTING OF THE COMMODITIES INVOLVED IN FOREIGN TRADE

One of the most interesting things in the foreign trade of Lithuania and one that also shows clearly which way the economic life of Lithuania is going is the shifting of commodities involved. In 1920 the chief exports of Lithuania were lumber and other forest products, which accounted for 40 percent; flax, which accounted for 34.3 percent; linseed, 12.2 percent; eggs, 3.7 percent; and livestock, 1.5 percent. No butter was exported in that year, and food exports generally played a very small role. In the next three years, 1921, 1922, and 1923, the export picture was somewhat changed. Although forest products still retained the most important position, eggs became one of the leading export commodities and in 1921 accounted for 23.5 percent of total exports; in 1922, 20.2 percent; and in 1923, 10.3 percent. But the rise in this commodity proved to be only temporary. In 1927 eggs were down to 4.4 percent of the total value of exports. At the same time there was a constant increase in livestock exports, which rose to 16.2 percent in 1926 [2] and to 21 percent in 1930. After 1925 the statistics of exports of Lithuania were divided into five groups: (1) the livestock group,

[2] C.S.B., *Lietuva Skaitmenimis 1918–1928*, pp. 91–126.

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The debts of Lithuania may be divided into two groups 652 451

(1) debts which originated in the period 1918–22 during the struggle for reëstablishment of the nation's independence and (2) subsequent debts contracted for reconstruction purposes. The debt to the United States for various medicaments, clothing, and foodstuffs obtained from the American military camps in France and from the American Relief Administration belongs in the first group. According to the agreement of September 22, 1924, with the United States, the principal was $4,981,628.03 and accrued interest of 4¼ percent from June 30, 1919, until June 15, 1924, amounted to $1,049,918.94, so that the total debt was $6,031,546.97. Of this amount, $1,546.97 was paid on September 22, 1924, and the remainder, $6,030,000, was to be funded into bonds bearing 3 percent interest until June 15, 1934, and 3⅓ percent after that date until the whole sum was paid. The principal was to be paid in the course of 62 years in fixed amounts each year. Thus, the first amount, $30,000, was due on June 15, 1925, and the last, $227,000, was to fall due on June 15, 1986.[13]

According to the estimate of Moulton,[14] Lithuania, up to June 30, 1931, had paid $1,128,600. The latest payments made by Lithuania to the United States were token payments in the sums of $10,000 on June 15, and $7,000 on December 15, 1933, but after the passage of the Johnson Act Lithuania made no further payments. On May 5, 1934, Attorney General Cummings of the United States pointed out that Lithuania was one among the six foreign governments[15] indebted to the United States government which was not in default under the terms of the Johnson Act, because she

[13] Dailide, *op. cit.*, p. 310.

[14] Harold G. Moulton and Leo Pasvolsky, *War Debts and World Prosperity*, Washington, D.C., 1932, p. 293.

[15] Finland, Great Britain, Czechoslovakia, Italy, Latvia, and Lithuania.

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had made token payments as evidence of good faith in connection with her debt installments.[16]

According to later interpretations of the Johnson Act, however, the State Department on May 10, 1934, informed European debtor governments that while token payments

TABLE 49

FOREIGN AND DOMESTIC DEBTS OF LITHUANIA AT THE END OF 1939

	LITAS
A. FOREIGN DEBTS –	
Debts to the U.S.A.	38,661,000 [a]
Debts to Great Britain	718,200 [b]
Liberty Loan	2,939,700
Match Monopoly Loan	25,193,500 [c]
Debts for public works	359,500
Short-term loans	1,043,400
TOTAL	68,915,300
B. DOMESTIC DEBTS	
4½% Domestic Loan of 1935	12,260,400
4½% Domestic Loan of 1936	11,893,600
Treasury Bills of 1937	2,138,300
4½% Domestic Loan of 1939	4,439,000
Vilnius Loan of 1939	15,420,500
Debentures of war collections	16,400
Debts for public works	4,063,000
TOTAL	65,231,200
TOTAL PUBLIC DEBT	134,146,500

[a] Total debts to the United States: 41,600,700 litas or $6,864,801.
[b] Total debts to Great Britain: 1,456,700 litas or £50,849.
[c] $4,157,350.

[16] *New York Times*, May 6, 1934.

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would be acceptable on June 15 when the following installments on the war debts were to have been due, such payments would not serve to free them of being considered in default within the meaning of the Johnson Act.[17] Pressed by adverse economic conditions prevailing in that year, Lithuania was unable to meet her obligation and thus was classified "in default." It must be remembered, however, that exports of Lithuania in that year were the smallest since 1923 and the economic depression in general was at its worst.

Another sum in this group is the debt of 1920 to Great Britain for war material deliveries to the amount of 7,300,000 litas (£150,000). The total debts originating in the period of the struggle for independence amount to 50,700,000 litas.

In the group of debts for reconstruction the greatest item is the Match Monopoly Loan of $4,500,000, which was contracted in 1930 in Sweden for the transfer of the match monopoly to the Swedish Match Manufacturing Company.

[17] *New York Times*, May 11, 1934.

(b) Introduction of reduced seasonal duties on tropical fruits for the period from January 1 to June 1, on November 30, 1937 (Government Gazette, 592/4130).

Concurrently with the import duties, on many goods that are subject to export control, in case they are exported not in the prescribed packing or do not conform to the contemplated standard of quality, the export duties are raised and their export is not permitted respectively. The sole object of these measures is to support the fulfilment of standardization and to improve the quality of our export goods. Subject to export control are: Butter, eggs, meat, seeds, potatoes, apples, flax, linseed, casings, bristles, and crayfish.

At the end of 1932, Lithuania was also obliged, in the wake of the import restrictions imposed by other countries, to place her imports under State control. This was effected through the Law of December 22, 1932 (Government Gazette, 401/2751) on the introduction of a licence system, first of all only for the import of 11 articles, i. e. sugar, salt, phosphates, iron, steel, tin, coal, cement, cotton threads and yarn, paper, cardboard, and woollen fabrics. This list of goods subject to licence was appreciably extended by later laws, chiefly by the Law of August 4, 1934 (Government Gazette, 453/3161), whereby the number of articles was increased to 46 and among them knitted goods and cotton fabrics were included; by the Law of February 6, 1935 (Government Gazette, 468/3282), and by the Law of February 15, 1936 (Government Gazette, 523/3631), so that to-day of the 216 articles of the Customs Tariff 134, but actually approximately 85% of the effective imports are subject to licence.

The introduction of the licence system in Lithuania had in view not by any means the stifling of import; it resulted rather only from regard to the structure of the trade-balance. Before the last economic crisis, i. e. at the time when world trade was still not subject to any import and currency restrictions, the question of trade-balances with individual countries played no great rôle because it was easily possible by means of an export surplus achieved with certain countries to equalize an import surplus recorded in trade with others. Ever since, however, foreign trade began to develop chiefly along compensation and accounting lines, the transference of balances has encountered difficulties. Thus in 1932, viz., the last year

457 before the introduction of the licence system in Lithuania, we had only two active and fourteen passive trade-balances with sixteen countries to which accrued approximately 85% of our foreign trade turnover. Thanks to the licence system, already in 1937 eight balances became active. This therefore shows us that the licence system successfully fulfils its purpose. The statistical data in regard thereto are later cited.

Later than elsewhere, for the first time at the end of 1935, likewise with a view to adaptation to the restrictions in force in most neighbouring countries, exchange control was introduced in Lithuania. The Regulations concerning this matter are contained in the Law on Transactions in Foreign Currency of October 1, 1935 (Government Gazette, 501/3480) and in the Decree regarding operations with foreign currency of November 14, 1935 (Government Gazette, 509/3537).

In connexion with exchange control, Lithuania has concluded special clearing agreements with several countries where currency business is also State controlled. Through the Lietuvos Bankas (Bank of Lithuania) accounting accounts are conducted to-day with Germany, Finland, Greece, Italy, Latvia, and Hungary.

648 With all the more important trade clients Lithuania has
439 concluded politico-commercial agreements. The following list comprises a comparison of all the ratified and at present valid commercial agreements of Lithuania with 21 States:

List of the existing Valid Commercial Agreements of Lithuania with other Countries.

1. **Belgium - Luxemburg:**

(a) Provisional Commercial Agreement of August 16, 1928 (Government Gazette, 289/1897).

(b) Arrangement on the application of the foreign Commercial Agreement also to the Belgian Congo and the Belgian mandated territory of Ruanda-Urundi, of February 10, 1936, ratified on February 29, 1936 (Government Gazette, 524/3636).

2. **Brazil:**

Provisional Commercial Agreement of September 28, 1937 (Government Gazette, 599/4198).

Motor-cars	15.7	122.2	1 136.7	439
Chassis	49.8	187.3	1 196.4	
Scientific apparatus and instruments	239.5	359.4	980.6	

The nomenclature of Lithuanian imports from Germany is, moreover, extremely elusive and differentiated, which is due partly to the lively frontier trade. The above cited articles constitute only approximately a fifth of our total imports from Germany.

The U. S. S R. supplies Lithuania in the first place with round timber for the Timber Syndicate at Memel; petroleum products, coal, salt, superphosphates, and cotton fabrics. She occupies among countries of supply the third place; also her share in Lithuania's import is higher than in export trade.

In the fourth place comes Belgium, who furnishes chiefly iron and woollen yarns. Our imports from Belgium considerably exceed our exports thither, i. e. more than twofold.

From Holland are imported superphosphates, wireless apparatus, and artificial silk yarns; from Sweden and Denmark, motor-cars; from France, iron; from Switzerland, clocks and machinery; from the United States, petroleum products, cotton, and phosphates. The nomenclature of imports from other countries is sharply differentiated.

In general we can assert that Germany had the largest share in the increase of Lithuanian imports in 1937, owing partly to the fact that deliveries from that country in consequence of the conflict in 1935, had unusually declined, and the present rise has only restored the earlier relation. Otherwise imports from almost all other countries have absolutely increased, although as regards the percentage share, several changes have ensued. Only the imports from Czecho-Slovakia, Austria, Estonia, and Palestine evince an absolute and a percentage recession.

8. The Trade-Balance with separate Countries. 457 ●

It has already at the outset been pointed out that the liquidation of free-trade, which ensued during the last world economic crisis, and the transition to the quota system, have

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Table No. 9.

Lithuania's Trade-Balances with separate Countries from 1928—1937 in million litas.

Countries	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
Total Balance	—34.2	+23.4	+21.3	— 4.8	+22.2	+18.0	+ 8.5	+23.7	+34.5	— 4,3
Including:										
Great Britain	+33.0	+31.4	+40.9	+70,8	+60.3	+47.2	+27.6	+21.6	+35.1	+37.3
Germany	+ 1.4	+45.7	+48.5	— 5.2	+ 6.8	+ 1.2	— 7.0	— 9.2	+ 6.2	—11.9
U. S. S. R.	— 5.5	—11.8	— 8.7	— 8.9	— 3.5	— 5.2	+ 1.5	— 0.5	— 4.6	— 6.8
France	— 0.3	— 3.2	— 7.3	— 5.7	— 2.6	— 1.2	— 0.9	+ 2.7	+ 3.8	+ 4.2
Holland	— 3.8	+ 0.7	— 3.2	— 2.3	— 0.5	— 0.9	— 0.4	+ 1.9	— 1.5	+ 0.6
Belgium	+ 0.6	— 0.9	— 0.5	+ 2.8	— 4.2	— 3.1	— 1.5	+ 6.9	— 3.1	— 8.9
Czecho-Slovakia	—12.3	—18.4	—17.6	—19.4	—12.4	— 7.3	— 4.8	— 3.6	— 0.3	+ 0.06
U. S. A.	—18.1	—12.3	—12.1	— 8.8	— 5.3	+ 0.9	+ 0.8	— 0.8	+ 2.3	— 0.5
Sweden	— 2.4	— 3.3	— 3.5	— 3.6	— 1.7	— 1.4	— 0.4	+ 0.4	+ 0.8	— 2.3
Palestine	— 0.05	+ 0.14	+ 0.02	+ 0.02	— 0.09	+ 0.26	+ 0.7	+ 1.8	+ 2.8	+ 3.3
Switzerland	— 2.6	— 1.4	— 3.1	— 2.7	— 1.5	— 1.0	— 1.0	+ 0.7	— 0.6	— 0.1
Denmark	— 1.2	— 2.4	— 1.1	— 0.5	— 1.1	+ 0.4	+ 2.4	+ 2.3	+ 0.4	— 4.3
Austria	— 1.0	— 1.7	— 1.6	— 1.5	— 0.9	— 2.1	— 1.5	— 0.9	— 0.9	+ 0.6
Latvia	+ 7.0	+19.5	+ 9.4	+ 3.3	— 3.3	— 0.35	+ 2.2	+ 2.0	+ 1.4	— 0.4
Finland	— 0.6	— 1.4	— 2.2	— 1.8	— 1.9	— 1.4	— 0.6	+ 0.4	+ 1.0	+ 0,7
Estonia	— 3.9	— 1.8	— 3.2	— 3.2	— 2.0	— 0.4	+ 0.03	+ 0.08	— 0.2	+ 0.04

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invested with great importance the question of the trade-balance in general and the trade-balances in traffic with individual countries in particular.

The development of Lithuania's trade-balance, both general and with individual countries, is shown in Table No. 9.

The development of Lithuania's general trade-balance is decidedly favourable. It has been in most years of the last decade active. The passive balance of 1937 has been easily covered with other active items of the payment balance.

Less favourable was the aspect of separate trade-balances, particularly in the crisis year 1932, when in trade with the sixteen most important countries, fourteen passive balances were opposed to two active ones. The introduction of the licence system has manifestly shown good results in this context, since already in the following year the number of active balances had increased to five, in 1934 to seven, and in 1935 to eleven.

The passivity of the balance in 1937 brought about a slight recoil in this improvement of the position. The greatest share therein was on account of the worsening of the trade-balance with Germany by 18 100 000 litas; with Belgium by 5 800 000 litas; and with Denmark by 4 700 000 litas. Also with Sweden, the United States, the U. S. S. R., Latvia, and Finland, the trade-balance shifted to the detriment of Lithuania, while in trade with other countries a slight improvement was attained. The long existent passive trade-balance with Czecho-Slovakia has been equalized and even concluded with a small active balance.

435 determine the important rôle of price variations during the last ten years. In the specific structure of Lithuanian economy, i. e. the economy of an agrarian land, which must procure the most essential industrial supplies from abroad in exchange for its agrarian products, price equalization, or the so-called „scissors" between the prices of agricultural and industrial staples, is the most important factor of contingent development. Since our industry heretofore has as yet provided hardly any means of production, the production of articles of consumption could cover only a part of the domestic demand, and since the portion of the population engaged in industry is as regards percentage negligible, the industrial crisis in Lithuania, which for the rest had only a slight and short-lived course, must be considered merely as a secondary phenomenon of the agrarian crisis. The causes of the economic stagnation, as Lithuania experienced it from 1932 to 1935*), repose in the sphere of foreign trade. In the chapter on foreign trade we saw, however, that our foreign trade turnover quantitative ly even in the crisis years remained above the level of 1929. This proves that the crisis was occasioned chiefly by the disturbance of the equilibrium of prices. [457] Our trade-balance indeed remained active in the crisis years, thanks to the licence system. We must, however, bear in mind that just as in foreign trade, on the home-market also equilibrium is disturbed by the price scissors, when every farmer must deliver correspondingly more of his produce in order to obtain an equivalent quantity of industrial supplies, whereby inevitably both his consumption is stifled and his zest for production discouraged.

The development of prices in Lithuania is shown by the following index groups, which are taken from the „Lietuvos Bankas Biuletenis" (1926—29=100):

Year	Total Price-Index	Agrarian Products	Industrial Raw Materials and Supplies	The Scissors
1927	100	100	101	— 1
1928	102	105	99	+ 6
1929	97	99	95	+ 4

*) The autumn of 1931 is to be taken as the beginning of the crisis, which has already influenced many year-end figures of that year.

of the native population and the progresaive consolidation of our economic independence.

The following table shows the position of the foreign and domestic debts on December 31, 1937 (in 1 000 litas):

I. Foreign Debts.

Debts to the U. S. A.	44 222.5
Debts to Great Britain	1 161.8
Liberty Loan	3 675.5
Match Monopoly Loan	25 738.9
Debts for the Administration of the Memel Territory	1 232.5
Debts For Public Works	2 507.8
Total:	78 539.0

II. Domestic Debts.

4½% Domestic Loan of 1935	16 195.0
4½% Domestic Loan of 1936	15 000.0
Treasury Bills of 1937	3 029.5
State Debt Debentures	57.9
Debts for War Charges	1 620.4
Debts for Public Works	4 192.6
Total:	40 095.4
Total Public Debt	118 634.4

Our State Debts can be divided into two categories:

(a) Debts from the time of the struggle for freedom and the first years of independent Lithuania; this period terminated approximately in 1923;

(b) Debts of a later period, which were contracted solely for the purpose of economic reconstruction.

To the former group belong:

1. The debt to the United States, which originated from 1919 and was contracted for various medicaments, clothing,

652 and foodstuffs obtained from the American military camps in
648 France and from the American Relief Administration. The
residue of the debt was fixed by the Treaty of 1924 at
● 457 60 000 000 litas ($ 6 000 000).

2. The debt to Great Britain of 1920 for war material deliveries to the amount of 7 300 000 litas (£ 150 000).

3. The Liberty Loan was realized between 1919 and 1925 in America from the local Lithuanians for the purposes of organization of defence of Lithuania and for goods purchases, to the amount of 18 500 000 litas ($ 1 850 000).

4. The debt to the Allied Powers for the administrative costs of the Memel Territory was consolidated in 1930 for 9 100 000 litas, of which 8 900 000 pertained to France and 200 000 litas to Great Britain.

652 5. The promissory-notes of the State Treasury, which between 1921 and 1923 were issued to the amount of 36 600 000 Ost mark.

6. The so-called War Money Charges Certificates, a sort of extraordinary tax, which in the first years of Lithuanian independence were obtained from the urban population and all commercial and industrial undertakings. These tax certificates are redeemed according to a specified plan at 50% of the face value.

Of the above-mentioned debts belonging to the category of the liberation period there remains at present still unredeemed a total of 50 700 000 litas.

Of the second group, that is of the loans that were utilized for economic investment, the following are noteworthy:

(a) The Match Monopoly Loan, which was contracted in 1930 in Sweden for the transfer of the Match Monopoly to the Swedish Joint-stock Match Manufacturing Company, to the amount of 60 000 000 litas ($ 6 000 000), of which, however, only 45 000 000 litas ($ 4 500 000) was realized, and

(b) The debts for public works which were incurred for the construction of the Telšiai - Kretinga Railway, to the amount of 15 700 000 litas; for the expansion of Memel port, to the amount of 4 200 000 litas; and for the erection of two bridges in Kaunas, to the amount of 1 700 000 litas;

(c) The two domestic loans, viz., of 18 000 000 litas in 1935 and of 15 000 000 litas in 1936.

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The loans of the second category were employed exclusively for investment. They were applied to purposes which themselves assure their regular redemption, as, for example, the Swedish loan, which almost in toto (40 000 000 litas) was placed at the disposal of the Žemės Bankas (Land Bank) for extension of agricultural credit. The position of all these economic loans at the end of 1937 amounted to 67 900 000 litas.

3. The Payment Balance.

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The payment balance reflects most faithfully the general financial situation of the country. The aspect of the Lithuanian payment balance shows that the situation of our finances can be regarded as healthy and satisfactory.

The following table contains data for several years, which are most characteristic for the changes that have occurred during the last dacade.

The Lithuanian Payment Balance.

(in Million Litas)

	1929	1930	1933	1934	1936	1937
Revenue:						
1. Export	331.3	323.8	156.9	145.4	191.8	229.4
2. Interest & Dividends	2.9	3.4	2.0	2.2	0.9	0.6
3. Other current items	91.5	74.3	39.0	35.8	31.2	27.8
4. Capital Operations ..	11.3	35.4	5.5	12.4	7.5	20.1
Total:	437.0	436.9	203.4	195.8	231.4	277.9
Expenditure:						
1. Import	312.0	322.9	147.7	150.7	163.9	239.2
2. Interest & Dividends	7.9	12.1	6.1	5.2	4.5	3.0
3. Other current items	56.7	63.9	31.4	21.6	22.5	26.3
4. Capital Operations ..	48.6	20.7	18.2	18.2	9.2	6.3
Total:	425.2	419.6	203.4	195.7	200.1	274.8
Balance:	+11.8	+17.3	—	+0.1	+31.3	+3.1